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Kontradictorische Verhandlungen über deutsche Kartelle. Die von der Deutschen Regierung angestellten Erhebungen über das inländische Kartellwesen in Protokollen und stenographischen Berichten. Hefte 1 u. 2. Berlin, Siemenroth, 1903. — 604 pp.

Abundantly supplied with industrial combinations as Germany is, its government has maintained a remarkably complacent, not to say benevolent, attitude in comparison with the governments of otherlands. Something similar might be said of the legal situation, for in no great industrial state is the law more favorable to the existence of such combinations than in Germany. Of course, there exists there a considerable element of hostility to the combinations, which is manifested in demands for their suppression. But the hasty and hitherto unsuccessful legislative efforts of other countries in this direction have reconciled German lawmakers to a policy of inactivity; while the practical and theoretical economists generally regard the modern movement of combination as inevitable and on the whole beneficial. Nevertheless, in an empire with such powerful administrative organizations, a permanent abstention from some form of activity or intervention is not to be expected, and this is true whether the phenomena in question are regarded favorably or unfavorably. The immediate cause of the present inquiry into the German cartell system is to be found rather in the recent crisis and the resulting commercial depression than in a conviction that the time is ripe for a positive policy. As a matter of fact, the present industrial organization in Germany cannot be regarded as highly enough developed to be very lasting, and it is a general view, not only among economic students, but also among industrial leaders, that the current system of combination — the cartell — is only a transitory form which will give way in time to a closer organization, perhaps a complete consolidation, like some of the American trusts, so called. The governments in Germany, imperial and state, have a large practical interest in the question on account of their extensive participation in industry and transportation, and in some cases they have identified themselves with the syndicates.

The inquiry, the first volumes of the report of which are here under review, was instituted at a meeting on November 14, 1902, called by Graf von Posadowsky-Wehner, the Imperial Minister of the Interior, and attended by various members of the higher central administration and by representatives of industry and of economic science. Minister von Posadowsky explained that the imperial government took a neutral attitude on the question, and proposed to establish an

inquiry in order to ascertain the facts, as a necessary preliminary to the undertaking of any positive measures. The purpose of this preliminary meeting was to get a consensus of opinion as to what the field of inquiry should be, and how the inquiry should be conducted. A scheme of questions concerning cartells was submitted to debate as well as questions of procedure, such as whether the proceedings should be published, whether confidential communications should be withheld from publication, and whether testimony should be made compulsory. The industrial representatives generally were opposed to a very searching inquiry, as injurious to their property interests. Professors Schmoller and Brentano were in favor of compulsory testimony and publication. A jurist, Dr. Spahn, submitted the proposition that the testimony should be published "unexpurgated," but without the names of the witnesses. The first groups of industries which it was proposed to examine were mining and iron, the central points of industrial interest and industrial difficulty; and, of the numerous cartells in these groups, it was proposed to take up coal first, and particularly the Rhenish-Westphalian Coal Syndicate and the Upper-Silesian Coal Convention. These two cartells and the coal situation in general form the subject of inquiry of the first two sessions, February 26, 27, and March 26, 27, 1903, and are reported in the two volumes which we have under review. The third session of the inquiry has already been held (May 12, 13); it was concerned with the Westphalian Coke Syndicate, but the report of the proceedings has not at this writing appeared in print. The investigation of the iron and steel industry has been postponed till next autumn, and the next industry to be considered will be paper (in June).

No inquiry of such extent or importance has been attempted before, I believe, in Germany, and the only one to be compared with it is the investigation of the stock exchanges¹ undertaken a few years ago. English and American methods are often cited with approval by German publicists, but the procedure in this case is quite different from that of a royal or congressional commission. In the first place, a report on the established facts is submitted by an official of the administration, and the subsequent proceedings take the form of an open discussion of this report. As a result of this debate, a scheme of questions is formulated which is intended to clear up controverted points and to bring out all the important facts. This debate is conducted in parliamentary form under the presidency of a government official. The meeting is private, and is attended only by persons invited to ap-

¹ Cf. *POLITICAL SCIENCE QUARTERLY*, XIII, 286.

pear on account of their knowledge of the facts or their material interest in the subject. In respect to the testimony and publicity, the practice in this investigation is as follows: first, there is no legal compulsion to appear or to answer; second, anything that is confidentially communicated is withheld from publication; third, the injunction of silence is placed on those present, until the report is published. This last rule is not observed with absolute strictness, but it prevents any extended reports of the proceedings from appearing in the newspapers. I have had opportunities of speaking with some of the persons present at these meetings, and, judging from what I have heard, as well as from a reading of the report itself, my impressions respecting the fullness and freedom of the discussion are favorable. It has, indeed, been alleged that some persons hesitate to testify against the powerful syndicates (*cf.* p. 409), but this does not seem to be true generally. On the other hand, one is impressed often by an excessive civility to some of the more potent individuals of the government and the syndicates, which in respect to the latter has the appearance of aiming to flatter them into a more obliging humor. The presiding officer of the *enquête* sometimes seemed inclined to interfere rather peremptorily in the discussion; for example, to prevent unpleasant criticisms of the price policy of the Prussian fiscal coal mines (*cf.* p. 238), and again to exclude evidence concerning the profits of certain traders (p. 387), saying in the latter case that the inquiry was concerned with things not persons! — a rather extraordinary ruling. His rulings were not unconditionally respected, however, and did not materially affect the debate. The reporter on the coal cartells complained at the beginning of the second sitting that the Silesian Coal Convention had imposed a condition of secrecy on the material it had submitted to the government concerning its organization, *etc.*, and that he was, therefore, unable to say much respecting it. This attitude of the Silesian coal men was not favorably regarded by the assembly, and the leaders of the organization hastened to remove the obligation of secrecy and answered frankly all the questions asked them. At the opening of the second session, the presiding officer declared that in the publication of the proceedings of the first meeting nothing of consequence had been withheld, but in the second volume a considerable amount of material respecting the incomes of coal dealers was expunged from the record, with the approval of most of the persons present.

The stenographic report of the proceedings furnishes invaluable material for the study of the coal cartells and the coal industry. The report of the referent on the Westphalian Syndicate is the best thing

on the subject since Sarter's contribution at the time of its establishment (Conrad's *Jahrbücher*, 1894), and is concerned with the actual organization and operation. The questions which formed the basis of discussion cover a wide range of topics, and are substantially as follows: (1) Name, location, and number of members in the cartell; (2) number of laborers, age and sex; (3) products covered by the cartell agreement; (4) annual amount and value of products; (5) reason for establishment of cartell, and term of the contract; (6) previous efforts at combination; (7) aim of the cartell; (8) organization of the cartell; (9) methods of sale, at home and abroad, and respective amounts; (10) prices of products at home and abroad, and grounds for fixing the same; (11) influence of cartells on dependent branches of industry and trade, and attitude toward purchasing associations; (12) influence exercised on the prices of raw materials employed; (13) influence on the concentration of industry — destruction of inefficient concerns and absorption of successive industrial branches; (14) influence on labor and wages; (15) influence on the quality of products. At the end of each volume is a large number of valuable appendices of a documentary and statistical character.

It is impossible to enter here into an intelligible discussion of the broad results of the inquiry, but a few suggestions may be made and some characteristic views noted. The heat of the battle raged about the price policy, and it is surprising, when we consider the recent agony of industrial circles in Germany over the coal famine and the enhancement of prices (see for example the debate in the Reichstag, in December, 1900), that the judgment upon the policy of the combinations should be so favorable. The general conclusion was practically this: The syndicates were very moderate in raising prices during the period of business prosperity, but should have let them down a little more and a little faster when the hard times began. Of course the coal dealers were fiercely attacked on account of extravagant exploitation of the public during the coal famine, and insistent demands were made by the representatives of the consumers' associations — industrial and agricultural — for direct supply; here the rather stiff position of the Westphalian syndicate seemed to be a little shaken. Interesting information is given in the proceedings for a comparison of the monopolized and the competitive markets, the latter appearing chiefly on the seacoast and in the central region around Berlin. The fiscal coal policy came in for a good deal of condemnation — which the presiding officer, as I have said, did his best to prevent — because it embodied a severer code of prices than that of the cartells themselves.

One other topic may be mentioned, namely, labor relations. When the discussion reached this point the coal men both in Westphalia and in Silesia promptly pointed out that they had no direct relations with labor, and that, therefore, the discussion was irrelevant. Nevertheless, the matter was considered, and the coal representatives furnished a good deal of useful material concerning the situation. The conditions of labor and wages were both shown to have considerably improved.

There was no attempt to go into the question of reformatory measures, and an intervention of the state did not seem to be desired. The aim of the debate was simply to establish the facts and not to propose remedies, and in this respect it may be regarded as a very useful and relatively successful proceeding.

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Reciprocity. By J. LAURENCE LAUGHLIN and H. PARKER WILLIS. New York, The Baker and Taylor Company, 1903. — xi 583 pp.

The title of this book is somewhat misleading, since with the exception of the first two chapters, the work is devoted exclusively to the American aspects of the question. Although advocates of free trade, the authors take a strong stand against reciprocity, maintaining that, if we should ever approach the stage of development in tariff matters when reciprocity could be had, we should not need it. In spite of this gloomy forecast of the future of the reciprocity policy, the authors proceed to marshal numerous arguments against it, as though it were about to be carried through to a successful issue. Upon examination, serious flaws appear in these arguments. The reasoning runs somewhat like this: To be useful, reciprocity must benefit either the American consumer, the American producer, or both together. Does it benefit the consumer? In this connection Professor Taussig is quoted with approval:

It may be laid down that any remission of duty which does not apply to the total importations, but leaves a considerable amount still coming in under duty, puts so much money into the pockets of the foreign producer.

The authors indorse this doctrine because it is in harmony with "the recognized economic principle that price is determined by the most